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July 15, 2010

WPI Inflation for June 2010 jumps to 10.55%

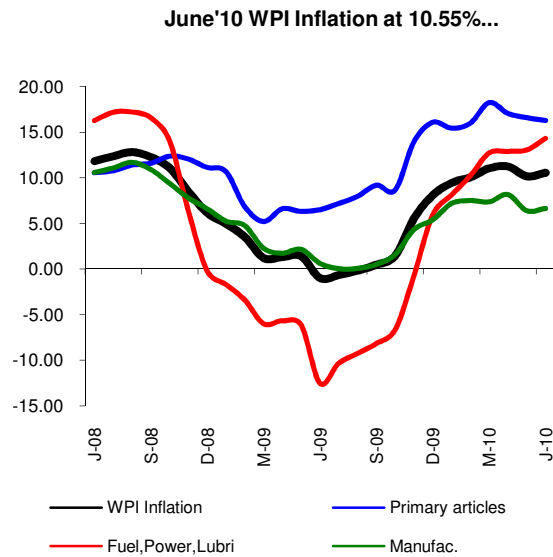
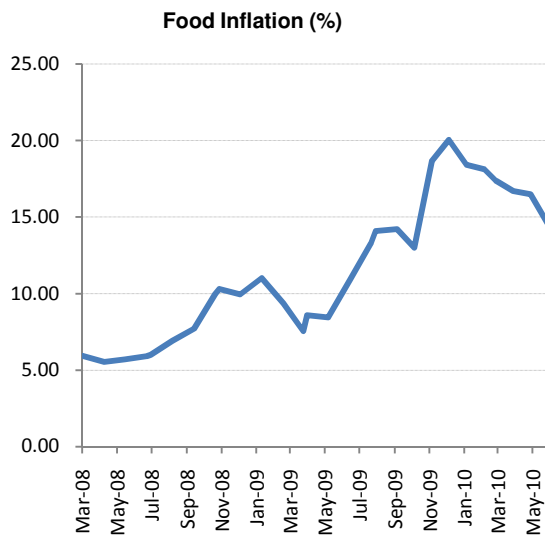
India's Headline Inflation rate based on Wholesale Price index continued to rise at a high pace and rose to 10.55% in June from 10.16% a month earlier and -1.01% during the corresponding month of the previous year. This is mainly on account of a sharp rise in the prices of fuel products, especially petrol and diesel (Rs 3.5 per ltr and Rs 2 per ltr resp). It is expected that the full impact of the increase in fuel prices will be reflected in the July inflation number as this price hike came only in the last week of June. WPI Inflation for April'10 was revised from 9.59% to 11.23%, highest in the last 21 months.

Inflation Drivers: Fuel prices (14.32%) and manufactured goods (6.66%) pushed up inflation numbers

- **Primary articles:** The index for this major group rose by 16.28% (Y-o-Y) in June'10.
 - a. **Food Articles:** rose by & 14.6% (Y-o-Y) in June'10. This increase is mainly on account of rise in Cereals (5.41%), Rice (6.36%) and Pulses (32.56%).
 - b. **Non Food Articles:** rose by 18.59% (Y-o-Y) in June'10 due to higher prices of Minerals (28.50%) and Fibre (18.50%).
- **Fuel, Power, Light and Lubricants:** The index for this group rose by 14.32% in June'10. This is mainly due to higher prices of Petrol (20.25%) and High Speed Diesel (17.38%). However Mineral Oil, Electricity and Coal Mining rose by 16.17%, 11.18% and 13.46% resp.
- **Manufactured Products:** The index for this group rose by 6.66% (Y-o-Y) in June'10. 'Food Products' increased by 4.31% in June'10. This increase is because of higher prices of Sugar (18.38%), Dairy products (11.85%) and Grain products (11.93%). Further 'Chemical & Chemical Products' (5.83%), 'Textiles' (14.7%) and 'Basic Metals Alloys & Metal Products' (12.08%) were the other major contributors.

Outlook: The main reason behind these numbers is the seasonal factors. Monsoon for this year is expected to be healthy thus it will boost the harvest. Hence the food inflation is expected to ease in coming months. However, increase in fuel prices is likely to have a negative impact on overall inflation.

Movement in inflation sub-groups (% , Y-o-Y)				
	Weight	June'10	May'10	June'09
WPI	-	10.55	10.16	-1.01
Primary articles' group	22.03	16.28	16.6	6.52
Food articles	15.4	14.6	16.49	10.89
Non-Food articles	6.14	18.59	18.6	0.12
Fuel group	14.23	14.32	13.5	-12.53
Manufactured products' group	63.75	6.66	6.41	0.64
Food Products	11.54	4.31	5.66	11.48
Beverages Tobacco & Tobacco Products	1.34	7.5	7.53	5.99
Textiles	9.8	14.74	15.11	7.63
Wood & Wood Products	0.17	14.65	8.8	0.25
Paper & Paper Products	2.04	1.51	1.12	2.61
Leather & Leather Products	1.02	0.48	-0.12	-1.01
Rubber & Plastic Products	2.39	6.67	4.52	3.36
Chemicals & Chemical Products	11.93	5.83	3.01	2.12
Non-Metallic Mineral Products	2.52	-1.22	2.4	3.11
Basic Metals Alloys & Metals Products	8.34	12.08	12.12	-14.05
Iron & Steel	3.64	20.04	19.98	-19.91
Machinery & Machine Tools	8.36	3.9	3.78	-2.22
Transport Equipment & Parts	4.29	2.4	0.17	0.63



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